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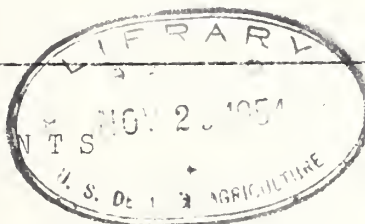
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The Contribution to Expanding Foreign Markets
for Dairy Products Through
FOREIGN AGRICULTURAL PROGRAMS^{1/}

Program Objectives:

1. To develop long-range foreign markets for United States dairy products.
2. To dispose of surplus stocks of United States dairy products.

C O N T E N T S



	<u>Page</u>
The Position of the United States in the World	
Dairy Trade	<u>2</u>
Opportunities and Developments in Foreign Trade	<u>8</u>
The 1954 Trade Missions	<u>8</u>
The Agricultural Trade Development and Assistance Act of 1954	<u>9</u>
Section 402 of the Mutual Security Act of 1954..	<u>9</u>
Recombining Dairy Products	<u>9</u>
Possibility of Marketing Butter in the Form of Ghee	<u>11</u>

^{1/} Prepared by the Livestock Division, Foreign Agricultural Service, for use in the 32nd Annual Agricultural Outlook Conference, October 25-29, 1954.

REFERENCES: Foreign Agricultural Circulars FD-2-54, May 27, 1954 and FD-3-54, May 28, 1954.

THE POSITION OF THE UNITED STATES IN THE WORLD DAIRY TRADE

The United States leads the world in the volume of milk produced. In 1953, it produced over 121 billion pounds or more than the combined milk production of the next 4 leading countries. France, Western Germany, the United Kingdom and Canada, the Netherlands, Australia, Denmark and New Zealand, in that order, are the other countries which lead in the production of milk.

Background

Foreign trade in dairy products by the United States has historically been only a small part of the domestic production, ordinarily amounting to less than 1 percent, on an equivalent basis, of the annual production of milk. Exceptions to this pattern occurred during and following World War I and World War II when large quantities of dairy products, particularly cheese and processed milks, were moved abroad. However, even at the war movement peak in 1944, only 5.7 percent of the total domestic production was exported.

During World War II, with most of the normal channels of trade denied to commercial exporters, the bulk of the movement of United States exports were under Government programs such as Lend-Lease; in 1944 almost 97 percent of all exports, in terms of milk equivalent, were shipped under Government programs. After the surrender of Japan, Government shipments, including those by the United Nations Relief and Rehabilitation Administration, were the major part of all exports of dairy products through 1946. Government sponsored shipments were resumed in some volume in 1950 under the various foreign economic aid programs of the United States and accounted for 50 percent and 38 percent of all exports, in terms of milk equivalent, during 1950 and 1951 respectively.

Imports of dairy products, principally cheese and butter, fell off sharply with the entrance of the United States into World War I, but by 1923, foreign imports had more than regained their share of the United States market. From 1924 through 1939 imports, in terms of whole milk, exceeded exports. Imports decreased markedly in 1940 and it was not until 1950 that importations approached the prewar level. In 1952, the milk equivalent value of imports exceeded that of exports for the first year since 1939.

Exports

The most important of the United States dairy exports are evaporated, condensed and dried whole milk. Exports of these products make up 57 percent of the whole milk equivalent export total and 64 percent of the dollar value of all dairy product exports.

Evaporated milk, unlike other dairy products of the United States has been able to meet most price competition in the world markets during the past year. This accounts in good part for the increase in exports of canned milk during 1953.

The value of dairy products exports in 1953 was 2.7 percent of the total value of all agricultural exports as compared with 2.0 percent in 1952.

Imports

More than 96 percent of the total value of all dairy products imports was in the form of cheese and casein. Controls on casein were lifted in December 1952 and imports during 1953 were almost 31 percent higher than 1952 although the increased value of the imports was only 20.5 percent. The main cheese imports were in the form of Swiss which was not under import controls and Pecorino and Roquefort, sheep's milk cheeses which also were not under controls.

Imports of dried whole milk at prices considerably under domestic prices threatened to upset the domestic market and were embargoed on April 1, 1953 and on July 1, limited to 7,000 pounds annually.

The value of dairy products imports in 1953 was .9 percent of the total of all agricultural commodities as against 1.0 percent in 1952.

Import Controls

After World War II, controls were gradually relaxed on all dairy products except butter. Authority for the continuation of import controls on butter was provided for under the first Defense Production Act, (effective July 1, 1950). When

the Defense Production Act of 1950 was extended in 1951, Section 104 was included providing that no dairy product should be imported which the Secretary of Agriculture determined would:

- (a) impair or reduce domestic production;
- (b) interfere with orderly domestic storing and marketing; or
- (c) result in an unnecessary burden or expenditure under any Government price support program.

On August 9, 1951, the importation of butter was again embargoed; also embargoed were nonfat dry milk solids. All cheese imports were subject to quantitative quotas based on average imports during 1948-1950 and casein imports were given quantitative quotas based on imports during 1950-1951.

In 1952, the Defense Production Act was again extended. Section 104 was continued with two additional features; they were:

- (a) The Secretary must now determine the necessity for controls for each type or variety of product;
- (b) Import quotas may be increased by 15 percent in the interest of international trade and relationships.

The principal effect of the change concerning determination of imports by types or varieties concerned cheese. On July 1952, import controls were terminated on Pecorino and Roquefort, variety cheeses made from sheep's milk, Swiss cheese, Gruyere process cheese, Bryndza, Goya and most miscellaneous varieties of this type, and Stilton, a blue-mold cheese. Import controls were also lifted on casein. On April 1, 1953, dried whole milk, dried cream and dried buttermilk were added to the list of embargoed items under Defense Food Order 3, the instrument controlling imports under the Defense Production Act authority.

The Defense Production Act expired on June 30, 1953. Previous to its expiration, the President, acting under authority granted under Section 22 of the Agricultural Adjustment Act, as amended, caused an investigation to be made by the Tariff Commission on the effects of unrestricted imports of dairy products included in the Government's price support programs. On the basis of the Tariff Commission's report, there was issued a Presidential Proclamation restricting imports of dairy products. Import regulation 1 was put into effect by the Department of Agriculture under authority of the Presidential Proclamation. The commodities and quotas established under Import Regulation 1 is shown in the following table along with the status of controls under Section 104.

STATUS OF IMPORTS OF DAIRY PRODUCTS UNDER SECTION 22

Commodity	Import status prior to July 1, 1953 under Section 104	Quota status under Sec. 22	Import authorization : 7-1-54 through 10-31-54
		Pounds	Pounds
Butter	: Embargoed	: 707,000	: 707,000
Malted milk	: High fat contents		
	: embargoed	: 6,000	: 6,000
Nonfat dry milk	: Embargoed-Aug. 9, 1951	: 1,807,000	: 1,807,000
Italian cow's milk cheese	: Annual Quota		
	: 9,200,000 lbs.	: 9,200,100	: 6,047,000
Cheddar	: Annual Quota		
	: 9,775,000 lbs.	: 2,780,100	: 1,842,000
Edam and Gouda	: Annual Quota		
	: 4,600,000 lbs.	: 4,600,200	: 3,027,000
Blue Mold	: Annual Quota		
	: 3,450,000	: 4,167,000	: 2,716,000
Dry Whole Milk	: Embargoed		
	: April 1, 1953	: 7,000	: 7,000
Dry Buttermilk	: Embargoed		
	: April 1, 1953	: 496,000	: 496,000
Dried Cream	: Embargoed		
	: April 1, 1953	: 500	: 500
	:	:	:
	:	:	:

Principal Foreign Production of Dairy Products

The year 1953, the latest for which relatively complete information is available, was a good one for dairy production in almost all of the major producing countries. In Australia, with about 4 percent more milk cows on farms in 1953 than a year earlier, milk production increased about 3 percent, output in the latter half of the year being curtailed by adverse conditions. Milk cow numbers in New Zealand were up about 3 percent and milk production showed an increase although it was hampered by hot, dry weather late in the year.

In Western Europe, weather conditions were exceptionally favorable to dairying and milk production reached a very high level in most countries. Excellent weather, some increase in numbers and very high milk yields were important factors in the higher milk output in Denmark.

Larger numbers of milk cows and exceptionally good pastures resulted in a new record production of milk in Belgium. Dairying conditions were favorable in Western Germany and the Netherlands throughout 1953. In Finland, Norway, and Switzerland, cow numbers were down but due to greatly increased yields, milk production for the year showed a very substantial gain in each of these countries. Some increase in numbers also occurred in Ireland and the United Kingdom.

Higher milk production in both Canada and the United States was largely attributed to increased cow numbers and heavier yield per cow.

Butter production in factories in 1953 rose 12 percent above the 1952 level. All countries reported increases with the exception of New Zealand where output declined only slightly. Much of the higher milk production in Australia in 1953 was used for butter.

Deliveries to dairies in Belgium established a new record and butter output increased substantially. In Denmark, butter production absorbed practically all of the increase in milk supplies. Higher butter output in Finland and Western Germany reflected the larger quantity available for manufacturing in 1953 compared with the earlier year. Production also was up in the Netherlands, Switzerland, Ireland, and the United Kingdom.

In this Hemisphere, factory butter production was also higher than a year ago, output in Canada being well above that of a year ago, while production in the United States was the highest since 1944.

Cheese output was up 9 percent in the closing quarter of 1953 compared with the same period a year ago. Production in Australia was the largest on record, not only because of heavier supplies, from the increased production, but also because of the shift in utilization from condenseries and fluid into butter and cheese production. In New Zealand, many of the cheese factories that were previously converted to casein manufacture were reconverted for cheese manufacture, production of which was well in excess of that of 1952.

Most countries of Western Europe showed gains in cheese production, the direct result of larger quantities being available for manufacturing. Output was down in both Norway and Sweden.

In Canada, 1953 cheese production was up, due to more milk being diverted to cheese factories from condenseries than in the preceding year. Output in the United States was the highest in 35 years of record.

Total canned milk (condensed and evaporated) production for the 5 countries reporting was down 8 percent, the United Kingdom being the only country in which canned milk production in 1953 was above the 1952 level. Lower output in Australia reflected the channeling of manufacturing milk from condenseries to butter and cheese plants.

Over-all canned milk output in Canada declined sharply due mostly to decreased evaporated whole milk production. This commodity was produced in smaller quantity because of the need to reduce heavy stocks built up in 1952 when production was at a record. In the United States, total canned milk manufacture in 1953 was the smallest in approximately 13 years.

Dried milk production increased 29 percent in 1953 compared to the preceding year. Output was up in Australia where dried skim milk production was the largest on record.

Production of dried milk in Belgium, particularly roller process dried skim milk, was far above that of previous years. Increases also occurred in the Netherlands and the United Kingdom.

Total dried milk production in Canada was maintained at about the 1952 level, although dried whole milk output for the year increased substantially, due largely to the strength of foreign demand. In the United States, dried milk output was higher than last year, production of nonfat dry milk solids setting a new high record.

OPPORTUNITIES AND DEVELOPMENTS IN FOREIGN TRADE

The 1954 Trade Missions

In March 1954, the Secretary of Agriculture appointed three trade missions to inquire into the problems confronting our country in the exporting of agricultural products and the problems facing foreign nations in exporting to us, and to make recommendations relative thereto. These missions consisted of 35 members broadly representative of the total export interests of American agriculture, and they visited 35 countries in carrying out the assignment.

It was found that the immediate export outlook is not favorable. However, the missions did report a number of encouraging factors in the long-range export outlook. These factors are principally the outgrowth of substantial economic progress, industrial recovery and greatly expanded foreign trade of many of the countries visited.

Increased imports would help to create the general purchasing power or dollar exchange needed by foreign countries with which to purchase United States products. The principal barriers to increased imports are United States tariffs, complex classification structure and procedures, quotas on imports and uncertainties as to whether commodities will qualify for entry and find a market once they have entered this country.

As a result of the findings of the Trade Missions, certain recommendations concerning the convertibility of currencies, competitive pricing, sales for foreign currencies, export credit and other actions designed to facilitate exports, either directly or indirectly, were presented to the Secretary of Agriculture. These recommendations are being given consideration at this time and it is hoped that they will result in a solution to the pressing problem of diminished international trade.

The Agricultural Trade Development and Assistance Act of 1954

This Act (Public Law 480, 83rd Congress) provides a means whereby some of the surplus agricultural commodities produced in this country may be exported to other countries which are presently unable to pay for them with dollars or other "hard" currency. Through this means, it is hoped that private exporters will be enabled to move vast amounts of agricultural produce which was formerly inhibited by the reluctance of exporters to accept foreign exchange.

The funds and assets of the Commodity Credit Corporation are to be used to finance export sales of surplus agricultural commodities held in the Corporation's stocks or under price support loan. In addition, the Corporation may finance the sale and exportation of privately-owned stocks of commodities not held by it. Also, even though the Corporation is in a position to supply the commodity itself, the exportation of privately-owned stocks may be financed if the private exporter acquires from the CCC the same commodity of comparable quality or quantity.

Section 402 of the Mutual Security Act of 1954

During the year ahead, agricultural surpluses will also be moving to foreign countries under Section 402 of the Mutual Security Act of 1954. This is administered by the Foreign Operations Administration and provides for earmarking \$350 million of foreign assistance appropriations to finance the export sale for foreign currencies of United States surplus agricultural commodities.

Recombining Dairy Products^{1/}

Producing high quality, palatable, and wholesome dairy products from dehydrated ingredients is accomplished by a process frequently referred to as reconstituting but more accurately known as recombining.

^{1/} Based on a study conducted by Irving C. Reynolds, Marketing Consultant for the United States Department of Agriculture's Foreign Agricultural Service in the Far and Middle East. In his study, Mr. Reynolds received excellent assistance and cooperation from the dairy trade, and from United States Agricultural Attaches and Economic Section Staffs in the countries visited.

Recombined dairy products have long since passed the experimental stage although actual commercial experience in this field is extremely limited. The rehydration of powdered whole milk, concentrated milks, combinations of skim milk powder and fats and other ingredients, beginning in the Far East perhaps as early as 1927 and since then in other parts of the world, has been greatly improved in recent years, and today's recombined milk products have gained wide consumer acceptance.

Recent experience with 5 plants in Japan, one on Okinawa and one on Guam for supplying recombined milk and ice cream to the United States Armed Services in addition to the experiences gained in Mexico, Singapore, and Hawaii by private concerns, have demonstrated beyond any possible doubt that the process can and has been commercially satisfactory for a period of several years. These plants have produced over 100 million gallons of recombined milk, recombined chocolate flavored milk drink, buttermilk, cream, and ice cream, which have met all exacting requirements and specifications for quality and sanitary control, as well as critical consumer requirements for palatability and fine flavor.

There are hundreds of millions of people throughout the world, especially in the Far East, for whom the availability of recombined dairy products might well be the balance between existing and living. Their meager diet, high in carbohydrates, is sufficient only to stave off starvation and disease.

High quality nonfat dry milk solids, butter oil, and a potable water supply are necessary in the production of recombined milk. Transportation of the dairy products in an anhydrous form saves shipping costs and the local water supply can be treated to render it safe and potable. A recombining milk plant should have the necessary equipment for manufacturing ice cream and for distributing other dairy products. They can become an important method of expanding dairy distribution. Where such a plant is introduced, it is unlikely that it would replace any appreciable business already there. It is almost sure to create new business in producing a good food supply. It would create not only a new economic enterprise, but make a real contribution to the health and welfare of the community in which it was established.

Possibility of Marketing Butter in the Form of Ghee

In India, Egypt, and Pakistan "Ghee" or "Samna" is used in place of butter. It is similar to butter oil. The method of preparation, however, is different. Ghee or Samna is prepared by making butter and then boiling until it is comparatively free from moisture. It is lighter in color and more granular in appearance than United States butter oil, undoubtedly due to the slow cooling of the Ghee after boiling. United States butter oil, prepared by the use of centrifuges, has been reported to have a raw taste compared with the native product. The sanitary conditions under which Ghee or Samna are prepared are comparable to farm butter production in this country 35 or 40 years ago. There are no manufacturing plants for these products as we consider such plants in this country. United States butter oil, as a supplement to local Ghee or Samna, could well become another important method of increasing the distribution of dairy products.

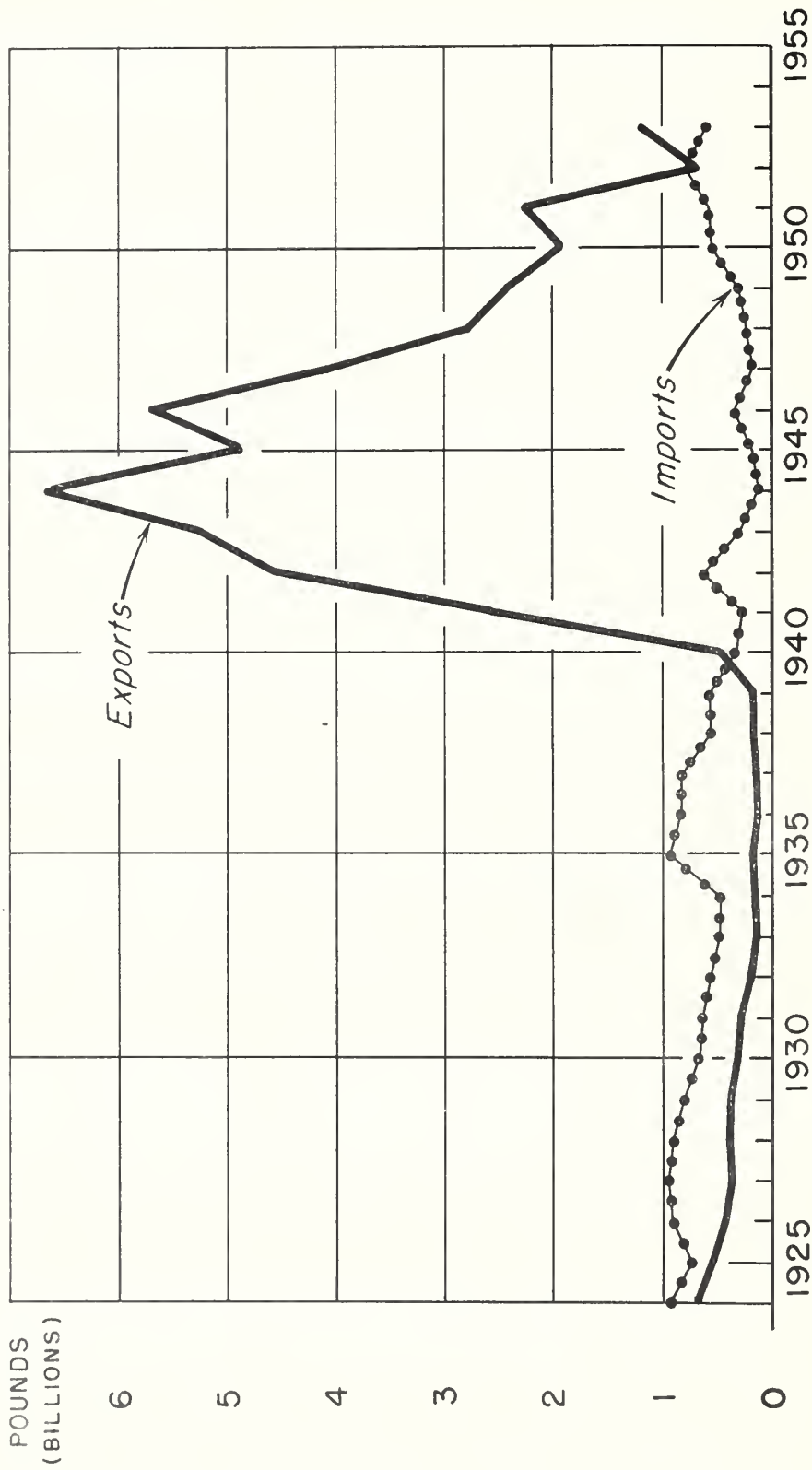
Whole Milk Equivalent of United States Trade in Milk, Cream and Dairy Products in Relation to Production

1924 - 1953

Year	Total milk production	Exports ^{1/}	Percent of		Imports	Percent of		Export balance
			U. S. production	production		U. S. production	production	
	Million pounds	Million pounds	Percent	Percent	Million pounds	Percent	Percent	Million pounds
1924	93,660	695	0.7		946		1.0	- 251
1925	94,940	544	0.6		749		0.8	- 205
1926	97,404	415	0.4		906		0.9	- 491
1927	99,018	356	0.4		950		1.0	- 594
1928	99,367	396	0.4		902		0.9	- 506
1929	102,133	389	0.4		810		0.8	- 421
1930	102,984	321	0.3		697		0.7	- 376
1931	105,629	292	0.3		641		0.6	- 349
1932	106,310	187	0.2		560		0.5	- 373
1933	107,162	124	0.1		474		0.4	- 350
1934	104,021	149	0.1		472		0.5	- 323
1935	103,605	155	0.1		939		0.9	- 784
1936	104,710	117	0.1		812		0.8	- 695
1937	104,208	130	0.1		820		0.8	- 690
1938	108,107	157	0.1		551		0.5	- 394
1939	108,992	179	0.2		585		0.5	- 406
1940	111,512	472	0.4		337		0.3	- 135
1941	117,088	2,562	2.3		272		0.2	- 1380
1942	120,433	4,545	3.8		632		0.5	- 13,913
1943	118,517	5,232	4.4		299		0.3	- 14,933
1944	118,123	6,676	5.7		126		0.1	- 16,550
1945	120,628	4,873	4.0		169		0.1	- 14,704
1946	118,697	5,704	4.8		342		0.3	- 15,362
1947	118,114	4,062	3.4		166		0.1	- 13,896
1948	113,671	2,760	2.4		230		0.2	- 12,530
1949	117,003	2,442	2.1		311		0.3	- 12,131
1950	117,302	1,991	1.7		544		0.5	- 11,447
1951	115,341	2,257	2.0		577		0.5	- 11,680
1952	115,597	674	0.6		777		0.7	- 103
1953 ^{2/}	121,519	1,194	1.0		593		0.5	- 1,601

^{1/} From 1941 to 1953 includes export deliveries under Govt. programs. ^{2/} Preliminary.
Milk Production and milk equivalent of exports and imports as published by Bureau of Agr. Economics.

UNITED STATES TRADE IN MILK AND DAIRY PRODUCTS IN TERMS OF WHOLE MILK EQUIVALENT, 1924-53



*PRELIMINARY

